GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2266
ANSWERED ON:10.03.2006
BANK CREDIT IN PRIORITY SECTOR
Jha Shri Raghunath

Will the Minister of FINANCE be pleased to state:

(a) whether as per Reserve Bank of India(RBI) guidelines, batiks have to deploy 40 per cent of the total Net Bank Credit (NBC) in the priority sector;

(b) if so, the details thereof;

(c) whether it is also a fact that actual credit disbursement by most of the banks was far short of stipulated level;

(d) if so, the details of total agricultural advances given by banks as on date; and

(e) the steps taken to achieve the NBC targets?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): Yes, Sir. Reserve Bank of India (RBI) have stipulated a target of 40% of Net Bank Credit (NBC) for lending to the priority sector by domestic scheduled commercial banks both in the public and private sector. Within this, sub-targets of 18% and 10% of NBC have been stipulated for lending to agriculture and weaker sections respectively.

(c) & (d): The advances granted to various sectors under priority sector by the public and private sector banks as on the last reporting Friday of March, 2003, 2004 and 2005 are furnished below from which it will be observed that the target of 40% stipulated for priority sector lending has been achieved :

Public Sector Banks: (Rs. in crore)

As on the last reporting Friday of	March 2003	March 2004	March 2005
Total priority sector advances	199786 (41.2%)	244456 (43.6%)	307046X42.8%!
Total advances to agriculture	70501 (14.5%)	84435 (15.1%)	109917 (15.3%)

Private Sector Banks: (Rs. in crore)

As ob the last reporting Friday of	March 2003	March 2004	March 2005
Total priority sector advances	36648 (44.1%)	48920 (47.3%)	69886 (43.6%)
Total advance.Â« to agriculture	9924 (12.0%)	14730 (14.2%)	21636 (12.3%)

figures in parentheses show percentage of advances to net bank credit

(e): Several steps have been taken by the RBI to increase institutional finance to agriculture.These include:
(i) Formulation of Special Agricultural Credit Plan (SACP) by public sector banks.
(ii) Introduction of Kisan Credit Card Scheme (KCC).
(iii) Waiver of margin/security norms for agricultural loans upto Rs.50,000 and in case of agri clinics upto Rs.5,00,000.

The Union Finance Minister announced in June, 2004, certain measures for improving the flow of credit to agriculture, which include as under:
(i) Fresh finance to farmers whose earlier debts have been settled,
(ii) Relief measures for farmers indebted to non- institutional lenders,
(iii) Scheme for providing relief to farmers in arrears.